



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

March 10, 2010

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To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum provides the estimated County impact from State payment deferrals, and an update on actions taken by the Governor as part of the Eighth Extraordinary Legislative Session, including the status of two County-advocacy bills relating to mandate suspensions and deferral of mandate payments, and State authority to seek increased Federal Financial Participation for foster care.

Estimated County Impact From State Payment Deferrals

On March 1, 2010, the Governor signed ABX8 5 which would enact a cash flow management plan to authorize the State Controller, the State Treasurer, and the Director of Finance to defer payments to counties in FY 2010-11 for various health, mental health, and social services programs, and gasoline excise tax payments from the Highway Users Tax Account. Payment deferrals will not be enacted if the State Controller, State Treasurer, and Director of Finance determine that the State's cash flow is sufficient to maintain a prudent cash reserve.

Based on information provided by the Departments of Public Social Services, Children and Family Services, Mental Health, and Public Works, the County's exposure from payment deferrals could be up to \$500.6 million in FY 2010-11. If a determination is made that the cash flow is insufficient to meet the State's financial obligations, payment deferrals would be implemented and could last between 60 days up to 11 months.

"To Enrich Lives Through Effective And Caring Service"

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If payment deferrals are enacted, the following County programs would be affected:

Program	Description	Deferral Impact
CalWORKs, Food Stamps, Adult Protective Services, and Community Services Block Grant Administration and CalWORKs Assistance	Defers July 2010 and March 2011 payments for 60 days.	\$170.5 million
	Defers the October 2010 Payment for 90 days.	\$94.1 million
Medi-Cal Administration	Defers the March 2011 Quarterly payment for 60 days.	\$53.3 million
Foster Care, Child Welfare Services, Adoption Assistance, Licensing, and the Child Abuse Prevention & Treatment Program Administration	Defers July 2010 and March 2011 payments for 60 days.	\$32.6 million
	Defers the October 2010 payment for 90 days.	\$15.6 million
(Proposition 63) – Mental Health Services Act	Defers \$300.0 million due to counties in July 2010 and schedules repayment in May 2011.	\$86.0 million
Highway Users Tax Account	Defers \$50.0 million due to cities and counties each month from July 2010 to March 2011.	\$48.5 million* *Reflects 9 months.
Potential Impact from State Payment Deferrals		\$500.6 million

Consistent with the Board's action of January 13, 2009 to oppose any proposals to delay payments to counties for health and human services, **the Sacramento advocates will oppose any proposals for additional State payment deferrals, and will work with the County's Legislative Delegation to mitigate and prevent enactment of deferrals that affect County programs.**

Status of County-Advocacy Legislation

On March 8, 2010, Governor Schwarzenegger acted on the following measures previously approved by the Legislature to address the State fiscal crisis:

County-opposed ABX8 2 (Assembly Budget Committee), which would have: 1) adopted mandate suspensions and deferral of mandate payments to local governments for State General Funds savings of \$228.0 million; and 2) reduced State corrections programs for an estimated State General Fund savings of \$2.2 billion was vetoed by the Governor. In his veto message, the Governor indicated that the bill does not implement spending reductions needed to close the State Budget gap, and

encouraged the Legislature to return to work in the Extraordinary Session and act on actual spending reductions to address the State's fiscal crisis. If enacted, this measure would have resulted in **a County loss of \$4.0 million from mandate suspensions and the deferral of \$15.0 million from prior year mandate payments due to the County in FY 2010-11.**

County-supported SBX8 4 (Senate Committee on Budget and Fiscal Review), which would expand eligibility for Federal Financial Participation to current State-only foster care cases was signed by the Governor. This measure is subject to Federal approval and the State would need to renegotiate the existing Title IV-E Waiver to allow Los Angeles County to receive increased funding. **If Federal approval is granted, the Department of Children and Family Services indicates that this action will result in an estimated County savings of \$42.4 million annually.**

The Governor also signed the following Extraordinary Session bills:

ABX8 1 (Assembly Budget Committee) Public Health. This measure would shift \$3.5 million in Federal funds to the State Office of AIDS.

ABX8 3 (Assembly Budget Committee) Department of Justice. This measure would increase the DNA penalty assessment on criminal offenses to support the State's forensic laboratories.

ABX8 7 (Assembly Budget Committee) Beverage Recycling Program. This measure would accelerate payments by beverage distributors for a one-time revenue increase of \$100.0 million. The bill also would authorize Handling Fee Payments and require payments to cities and counties that were reduced to be paid retroactively to January 1, 2010.

ABX8 10 (Assembly Budget Committee) General Government. This measure would extend deposits from tribal gaming assets to the State General Fund from June 30, 2010 to June 30, 2011.

ABX8 11 (Assembly Budget Committee) Transportation. This measure would authorize the California Transportation Commission to enter into agreements with local agencies to allow local funds to be used for Proposition 116, the Clean Air And Transportation Improvement Act of 1990 projects.

ABX8 12 (Assembly Budget Committee) Port Security. This measure would extend \$100.0 million in appropriations for port and maritime security projects available through Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security

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Bond Act of 2006, and would extend the timeframe for the use of funds from June 30, 2009 to June 30, 2013.

We will continue to keep you advised.

WTF:RA
MR:VE:sb

c: All Department Heads
Legislative Strategist
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